DOME PETROLEUM LIMITED

INTERIM REPORT

June 30, 1975

LITHOGRAPHED IN CANADA

TO THE SHAREHOLDERS:

FINANCIAL

The financial results for the first half of 1975, compared with those for the same period in 1974, are as follows:

	1975	1974
Revenue	**$89,702,000**	$73,965,000
Cash Flow	**$33,270,000**	$31,580,000
Net Income Before Deferred Income Taxes	**$26,531,000**	$25,869,000
Per Share	**$2.36**	$2.31
Net Income For the Period	**$15,768,000**	$14,328,000
Per Share	**$1.40**	$1.28
Average Shares Outstanding	**11,250,000**	11,222,000

During the second quarter, the Company completed long term financing arrangements for the Canadian Marine Drilling project through a group of Canadian chartered banks. The Company arranged to borrow $120 million to finance the construction of the vessels and other equipment required for this Beaufort Sea project. This loan is repayable over a ten year term commencing in October 1976.

EXPLORATION AND DRILLING

During the first half of 1975, Dome participated in the drilling of more footage than any other company in Canada. During the second quarter, Dome participated in the drilling of a total of 52 gross wells (26 net wells), compared with 45 gross wells (25 net wells), for the same period in 1974. Of the 52 wells drilled, 40 were completed as oil or gas wells and 12 were dry and abandoned. Eleven wells were drilled at no cost to the Company.

Arctic Islands

The Company has agreed to participate in a well operated by Panarctic Oils Ltd. at Jackson Bay, off the southwest coast of Ellef Ringnes Island. The well will be drilled two miles offshore on a man-made ice island during the upcoming winter season. Dome has substantial acreage holdings adjacent to this location.

Dome is participating to the extent of a 10% share in a $46 million seismic program covering the offshore inter-island area of the Arctic Islands. This program is approximately one-third complete and the remainder will be conducted in 1976 and 1977.

Alberta

Dome has continued an active drilling program in Alberta during the second quarter of 1975. At Caroline, 60 miles northwest of Calgary, four oil wells were completed. The Company's leases in the area total 12,960 gross acres (8,235 net acres).

Following its 1974 gas discovery at Sundance Lake, 135 miles west of Edmonton, Dome is drilling a four mile step-out test northwest of the discovery. On completion, Dome's working interest will be 20,500 gross acres (7,215 net acres).

In addition, the Company participated in two successful Lower Cretaceous oil wells in the Little Bow area approximately 65 miles south of Calgary. Additional wells will be drilled in this area where Dome holds 5,280 gross acres (2,190 net acres).

Dome has also completed 22 successful gas wells in the Castor/Provost/Medicine Hat areas of southeastern Alberta during the second quarter of 1975.

CANMAR

Work continues on the construction of two drillships and four ice-breaker supply vessels being built for the Company's subsidiary, Canadian Marine Drilling Ltd. The Company's work barges and leased tugs are currently conducting sea bed studies and setting protective caissons and conductor pipe at the first four drilling locations in order that drilling may proceed immediately upon arrival of the drillships in the Beaufort Sea in 1976.

INDUSTRY DEVELOPMENTS

During the month of June, substantial changes were made in pricing, royalties and taxation of oil and gas production in Canada.

The crude oil price was increased by $1.50 a barrel effective July 1, 1975 and the average Alberta gas price will increase to approximately 70¢ per Mcf effective August 1, 1975 with the commitment of a further increase to 97¢ per Mcf by November 1st of this year.

In *Alberta*, the royalty rate on the crude oil price increase was reduced from 65% to 50%. In *Saskatchewan*, an adjustment was made in the effective royalty rate on oil to ensure that the producer netback after income taxes, was not reduced as a result of the price increase and further adjustments are under consideration. In *British Columbia*, the Government announced that royalty would be deductible for the purpose of calculating provincial income tax. Public hearings on oil and gas pricing have recently concluded which will enable the B.C. Energy Commission to make recommendations designed to stimulate exploration activity in that Province.

The *Federal Government* made a number of changes in the taxation of resource income. Effective January 1, 1976 the Federal tax rate will increase from 28% to 36% and provision will be made for a 25% deduction from resource income after operating costs and capital cost allowances. Effective June 23, 1975, provision was made for a 5% investment tax credit (up to 50% of tax payable within five years) for new plants and equipment acquired before July 1977. Because of the high royalty and tax levels, the price increases will result in a relatively modest increase in the after tax income to the oil and gas producing industry. The changes, however, are useful to companies such as Dome, which are major explorers, as they enable these companies to defer the payment of income tax thereby providing increased cash flow available for exploratory operations. The provision for an investment tax credit is of particular value to Dome because of its high level of capital investment during the current year, including the Canmar ships.

The Federal Government also committed to the price of oil rising to international levels over the next few years and gas prices rising to parity with oil as priced at the Toronto city gate. This decision is of major importance to Dome since many of its natural gas liquids are sold at a price tied to crude oil whereas its natural gas liquids are acquired at a cost related to natural gas prices. The establishment of parity at the Toronto City gate, rather than at the field or at the burner tip, is beneficial to the Company in the determination of this price/cost relationship.

J. P. GALLAGHER, *Chairman*

W. E. RICHARDS, *President*

July 31, 1975.

DOME PETROLEUM LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

Six Months Ended June 30, 1975 and 1974

	1975	1974
REVENUE	**$89,702,000**	$73,965,000
DEDUCT:		
Cost of products sold	**42,210,000**	28,713,000
Producing, processing and marketing expenses	**8,616,000**	6,659,000
General and administrative expenses	**1,138,000**	933,000
Interest	**4,468,000**	6,080,000
	56,432,000	42,385,000
CASH FLOW	**33,270,000**	31,580,000
DEDUCT:		
Depreciation and depletion	**6,739,000**	5,711,000
NET INCOME BEFORE DEFERRED INCOME TAXES	**26,531,000**	25,869,000
Provision for deferred income taxes	**10,763,000**	11,541,000*
NET INCOME FOR THE PERIOD	**$15,768,000**	$14,328,000
Average Shares Outstanding	**11,250,000**	11,222,000
Net Income Per Share	**$1.40**	$1.28

This statement is unaudited.

* *The 1974 comparative figures have been restated to reflect changes in income tax legislation presented in the November 18, 1974 budget which were retroactive to May 6, 1974. This has resulted in an additional provision for deferred income taxes of $478,000 for the six months ended June 30, 1974.*

DOME PETROLEUM LIMITED
and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Six Months Ended June 30, 1975 and 1974

	1975	1974
SOURCE OF FUNDS:		
Cash flow from operations	**$ 33,270,000**	$31,580,000
Issues of long term debt	**31,672,000**	19,000,000
Issues of capital stock	**14,000**	140,000
	64,956,000	50,720,000
APPLICATION OF FUNDS:		
Expenditures for property, plant and equipment	**83,894,000**	25,360,000
Less amounts contributed through participation agreements	**14,087,000**	7,451,000
	69,807,000	17,909,000
Reduction of long term debt	**7,933,000**	4,328,000
Retirement of production payments	**—**	953,000
Investment in Panarctic Oils Ltd.	**1,026,000**	355,000
Increase in deposits and long term receivables	**268,000**	75,000
	79,034,000	23,620,000
INCREASE (DECREASE) IN WORKING CAPITAL	**$[14,078,000]**	$27,100,000

This statement is unaudited.